

Avaada Power Private Limited

May 16, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	250	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Long / Short-term Bank Facilities	100	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable / A Two)	Assigned
Total Facilities	350 (Rupees Three Hundred and Fifty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Avaada Power Private Limited (Avaada) factor in the resourceful promoter, proven track record of project execution with satisfactory operating and financial parameters and timely completion.

The above rating strengths are partially tempered due to lack of any substantial orders at present, project execution risk for the upcoming projects, increased competition in the renewable segment and susceptibility of power generation to variation in climatic conditions as well as technological risk given the relatively short performance track record of equipment in Indian conditions.

Successful completion of group restructuring activity, timely infusion of equity, achieving envisaged ramp up of projects in a timely manner while maintaining a stable capital structure are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Resourceful Promoters

Avaada is owned and managed by Mr Vineet Mittal, who is an alumnus of Harvard Business School and an experienced entrepreneur. Under Mr Vineet Mittal, WEPL became a significant player in the renewable energy industry. Within a short span of 3 years, Mr Mittal had built 1141 MW of renewable energy portfolio of WEPL and monetized the same by selling it to TPREL for an enterprise value of Rs.9249 crore.

Proven track record of the promoters

WREPL, when sold to TPREL, had the total capacity of 1141 MW. These projects have long-term PPAs in place. The projects have shown satisfactory performance in the past. Average CUF of the projects have been satisfactory and were in line with the P90 levels. The company has been able to execute these projects within the stipulated project implementation schedules as well as without any cost overruns. Furthermore, the projects are located in different parts of the country and have PPAs with various State and Central government entities. Also the entire team which has executed these projects in WEPL has continued with the company.

Renewables business under WREPL SPVs sold off; restructuring of EPC business underway

The entire renewable energy business of WREPL and its SPVs was taken-over by TPREL in September 2016 at a consideration of Rs.9249 core. The cash from the sales proceeds would be distributed amongst the promoters. The promoters of Avaada are expected to infuse funds realized from the above sale into the company. Furthermore, the EPC business of WEPL is under the process of de-merger and would be transferred to GRPL a subsidiary of Avaada. The Scheme of Arrangement for the transfer is currently under the purview of Gujarat High Court. Avaada intends to continue with the EPC business of WEPL and also build the renewable energy projects portfolio as it will now have the requisite funds as well as the expertise to do the same.

Key Rating Weaknesses

Project ramping up and execution risk

Post sale of WREPL to TPREL, Avaada will have to bid for new projects and ramp up its activity. The company is currently in the process of bidding for various renewable energy projects and has demonstrated its intent of developing a large portfolio of assets in the segment. The company has in the past implemented projects aggregating 1141 MW however, the project execution risk prevails for the new projects to be housed under Avaada and its subsidiaries.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Increased level of competitive intensity in the industry

Due to technological advancements relatively faster execution of solar energy projects compared with conventional sources is envisaged. Government impetus to solar power through preferential feed-in tariffs, renewable purchase obligation targets, renewable energy certificates etc has increased the number of players in this industry. Also solar tariffs have declined over the years, thereby leading to increased demand for solar energy, especially given climate concerns and energy security situation in India.

Climatic and technological risks

The technology used, which has a proven track record in global markets, there is a lack of long-term track record of performance of the solar modules in Indian conditions. Achievement of desired CUF going forward would be subject to change in climatic conditions, amount of degradation of modules as well as technological risks.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Private Power Producers](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Avaada Power Private Limited (Avaada) is a Vineet Mittal group entity. Avaada, as on January 30, 2017, holds 27.70% in Welspun Energy Private Limited (WEPL, rated CARE A+; Stable / CARE A1+) the former holding company of WREPL. WEPL is engaged in the business of EPC, generation of power through renewable resources which includes but not limited to generation of power using coal as raw material or generation of Solar, Wind, Hydro Power, Distribution, Trading and Transmission etc.

In September 2016, Tata Power Renewable Energy Limited (TPREL, rated CARE A / CARE A+ (SO) / CARE AA (SO) / CARE A1) acquired 100% stake in WREPL and its subsidiaries making WREPL a wholly owned subsidiary of TPREL which in turn is a wholly owned subsidiary of The Tata Power Company Limited [Tata Power; rated CARE AA; Stable].

WEPL is now in the process of demerging its EPC business to another entity, Giriraj Renewables Private Limited (GRPL) a wholly owned subsidiary of Avaada. The Scheme of Arrangement is currently under the purview of Gujarat High Court.

Avaada reported total revenue of Rs.3.32 crore and profit of Rs.1.50 crore in FY16 (refers to the period April 01 to March 31) as against total revenue of Rs.1.04 crore and PAT of Rs.0.40 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Pawan Matkari

Tel: 022 6754 3529

Email: pawan.matkari@careratings.com

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees	-	-	-	250.00	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	100.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Non-fund-based - LT-Bank Guarantees	LT	250.00	CARE BBB+; Stable	-	-	-	-
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	100.00	CARE BBB+; Stable / CARE A2	-	-	-	-

CONTACT**Head Office Mumbai****Mr. Mehul Pandya**

Cell: +91-98242 56265

E-mail: mehul.pandya@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691